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SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1929.

No. ~~650~~ 46

LOUIS H. ENSTEN AND LION KNITTING MILLS COMPANY, PETITIONERS,

vs.

SIMON ASCHER & COMPANY, INC.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT.

O. ELLERY EDWARDS,
Solicitor for Petitioners.

HAROLD ELNO SMITH,
Of Counsel.

(34,781)

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SUPREME COURT OF THE UNITED STATES.
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No. 650

LOUIS H. ENSTEN AND LION KNITTING MILLS COMPANY, PETITIONERS,
against
SIMON ASCHER & COMPANY, INC., RESPONDENT.

PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SECOND CIRCUIT.

To the Honorable the Chief Justice and Associate Justices of the Supreme Court of the United States:

Your petitioners, Louis H. Ensten and Lion Knitting Mills Company, plaintiffs below, pray that a writ of certiorari be issued to the Circuit Court of Appeals for the Second Circuit to review the decision of said Court, rendered Monday, February 3, 1930, in the above-entitled case, which appears in the transcript of record filed herewith.

1. This is a suit brought under the patent laws, and particularly Section 48 of the Judicial Code, to recover for infringement of Letters Patent No. 1,313,080, dated August 12, 1919, for a knitted cap, and granted to Louis H. Ensten, patentee, and a petitioner herein,

the other petitioner being a licensee manufacturing and acting under an exclusive oral license. The suit is an ordinary patent suit for an injunction and an accounting and is based on claims 1, 3, 4, and 5 of the patent in suit. The defendant's device is identical with that of the plaintiffs and with that of the patent in suit, and so the issue of infringement does not arise. The validity of the patent, as to these claims, has been sustained in the Circuit Court of Appeals for the Sixth Circuit in the case of Rich-Sampliner Company *v.* Ensten, 291 Fed. 1003. However, in this first litigation, the District Court, Judge Westenhaver sitting in the Northern District of Ohio, by an interlocutory decree in May, 1922, held that claim 2 was invalid. This claim was never before the Circuit Court of Appeals for the Sixth Circuit, as the plaintiff took no appeal from the interlocutory decree of Judge Westenhaver. The mandate was filed October 18, 1923, and thereafter, on April 30, 1924, Ensten disclaimed claim 2 in the usual manner by entering a disclaimer in the Patent Office pursuant to Sections 973, 4917, and 4922 of the Revised Statutes, 28 U. S. Code, Section 821, and 35 U. S. Code, Sections 67 and 71 respectively.

2. A little later, Judge Westenhaver held, on motion, in the case of Ensten v. Rich-Sampliner Company, 13 Fed. (2d) 132, that this patent was void because the disclaimer was not filed within a reasonable time, as required by law, but this was reversed on another point and the disclaimer question called moot in 19 Fed. (2d) 66, when the matter came up on appeal. Thereafter the defendants settled the case by

paying $23,000 (Rec., p. 16, folio 48), and a final decree was entered accordingly November 1, 1928.

3. The suit at bar was brought November 9, 1929, in the United States District Court for the Southern District of New York, and a motion was made for a preliminary injunction. The District Court, Judge Caffey sitting, followed the reasoning of Judge Westenhaver and directed that the bill of complaint be dismissed with costs. An appeal was thereupon prosecuted to the Circuit Court of Appeals, and, in deciding, this Court held itself bound by its earlier decision in the case of Hoe *v.* Goss, 31 Fed. (2d) 565, and therefore unable to agree with the Circuit Court of Appeals for the Seventh Circuit, which held exactly to the contrary on December 17, 1929, in the case of Excelsior Steel Furnace *v.* F. Meyer & Brother Co., published in the *United States Daily* for January 18, 1930. A copy of this decision in the Excelsior case is printed in the appendix hereto and made a part hereof.

4. The ground for this petition is best set forth in the concluding language of the decision of the Circuit Court of Appeals in the case at bar, which reads as follows:

> "In view of this diversity of views between two circuit courts of appeals, it would seem probable that the appellants can secure a certiorari, if so disposed, and thus enable this important question of the law of patents to be authoritatively determined."

These petitioners act on this suggestion and pray, accordingly, as appears below.

WHEREFORE, because of the gravity and importance of the question involved, your petitioners respectfully pray that a writ of certiorari may be issued out of and under the seal of this Honorable Court, directed to the judges of the United States Circuit Court of Appeals for the Second Circuit, commanding that Court to certify and send to this Court for its review and determination, on a day certain to be named therein, a full and complete transcript of the record and all proceedings of said Circuit Court of Appeals in the case, lately pending therein, entitled on its docket No. 242, for the October term, 1929, Louis H. Ensten and Lion Knitting Mills Company, plaintiffs-appellants, *v.* Simon Ascher & Company, Inc., defendant-appellee, and that the said decision of the United States Circuit Court of Appeals for the Second Circuit may be reversed by this Honorable Court, and that your petitioners have all other relief requested therein, and that your petitioners may have such other and further relief as to this Court may seem meet and just, and

Your petitioners will ever pray.

LOUIS H. ENSTEN AND
LION KNITTING MILLS COMPANY,
Petitioners,
By O. ELLERY EDWARDS,
Solicitor for Petitioners.
HAROLD ELNO SMITH,
Of Counsel for Petitioners.

Dated New York, February 6th, 1930.

As a member of the bar of this Court, I hereby certify that I have examined the foregoing petition and in my judgment it is well founded and the cause is one in which the prayer of the petition may properly be granted by this Court.

O. ELLERY EDWARDS.

Dated New York, February 6th, 1930.

APPENDIX.

CIRCUIT COURT OF APPEALS, SEVENTH CIRCUIT.

EXCELSIOR STEEL FURNACE COMPANY

v.

F. MEYER & BROTHER COMPANY.

No. 4222.

Appeal from the District Court for the Southern District of Illinois.

Before Alschuler, Evans, and Page, Circuit Judges.

Opinion of the Court—Dec. 17, 1929.

EVANS, C. J.:

Appellant's suit was to secure protection for its patent No. 724,210 bearing date Mar. 31, 1903, covering "Improvements in Hot Air Pipe." The district court found the patent invalid and dismissed the bill. On appeal this court on Apr. 10, 1917 (244 Fed. 172), reversed the decree, sustained three claims of the patent, but agreed with the district court that two of the claims (1 and 2) were invalid.

Thereafter the district court entered an interlocutory decree enjoining appellee from infringing claims 3, 4 and 5 and ordered a reference to ascertain the plaintiff's damages. Upon the master's report, the court ordered the bill dismissed for want of equity.

The questions here presented are: (a) the effect of appellant's failure to file a disclaimer of claims 1 and

2 before the patent expired, (b) the amount of appellee's profits, (c) the amount of appellant's damages, (d) the proper disposition of costs and sums paid to the certified accountant appointed by the court upon appellant's motion. A further statement of the facts will appear under the appropriate headings.

UNREASONABLE DELAY CHARGED TO APPELLANT.

Disclaimer.—At the close of plaintiff's testimony before the master, appellee moved that appellant be denied all relief because of its failure to file a written disclaimer of the two claims (1 and 2) held invalid by this court. The master recommended the disallowance of all damages and costs, finding that "appellant has neglected and delayed for an unreasonable time to file a disclaimer after claims one and two had been held invalid."

The rehearing in this court on this previous appeal was denied May 17, 1917. The patent expired Mar. 31, 1920. Appellant closed its testimony before the master on Feb. 25, 1922. On the same day appellee made its request to the master to deny appellant all damages because of its failure to disclaim claims 1 and 2. Appellant then asked leave to file a disclaimer nunc pro tunc as of May 17, 1917. The request was denied. Thereupon appellant, on Mar. 17, 1922, almost two years after the patent had expired, filed a disclaimer. The master later reported the delay in filing the disclaimer was unreasonable. The court sustained the master.

The rights of the parties are determined by two sections of the statute. U. S. C. A. Title 35, Section 71 (R. S. 4922) and U. S. C. A. Title 35 Section 65 (R. S. 4917) read as follows:

> SECTION 65. Disclaimer.—Whenever, through inadvertence, accident, or mistake, and without

any fraudulent or deceptive intention, a patentee has claimed more than that of which he was the original or first inventor or discoverer, his patent shall be valid for all that part which is truly and justly his own, provided the same is a material, or substantial part of the thing patented; and any such patentee, his heirs or assigns, whether of the whole or any sectional interest therein, may, on payment of the fee required by law, make disclaimer of such parts of the thing patented as he shall not choose to claim or to hold by virtue of the patent or assignment, stating therein the exent of his interest in such patent. Such disclaimer shall be in writing, attested by one or more witnesses, and recorded in the Patent Office; and it shall thereafter be considered as part of the original specification to the extent of the interest possessed by the claimant and by those claiming under him after the record thereof. But no such disclaimer shall affect any action pending at the time of its being filed, except so far as may relate to the question of unreasonable neglect or delay in filing it.

SECTION 71. Suit for Infringement Where Specification Too Broad.—Whenever, through inadvertence, accident, or mistake, and without any willful default or intent to defraud or mislead the public, a patentee has in his specification claimed to be the original and first inventor or discoverer of any material or substantial part of the thing patented, of which he was not the original and first inventor or discoverer, every such patentee, his executors, administrators, and assigns, whether of the whole or any sectional interest in the patent, may maintain

> a suit at law or in equity, for the infringement of any part thereof, which was *bona fide* his own, if it is a material and substantial part of the thing patented, and definitely distinguishable from the parts claimed without right, notwithstanding the specifications may embrace more than that of which the patentee was the first inventor or discoverer. But in every such case in which a judgment or decree shall be rendered for the plaintiff no costs shall be recovered unless the proper disclaimer has been entered at the Patent Office before the commencement of the suit. But no patentee shall be entitled to the benefits of this section if he has unreasonably neglected or delayed to enter a disclaimer.

The vital questions in view of these statutes are: (a) What is a reasonable time within which the owner of a patent must, when necessary, file a disclaimer? (b) What are the consequences of a failure to seasonably file such disclaimer?

CIRCUMSTANCES FAILS TO SHOW TIME EXCESSIVE.

(a) Appellee asserts, and the court sustained its contention, that all relief must be denied because appellant "unreasonably neglected or delayed to enter a disclaimer."

What is an unreasonable delay?

Appellee answers: "More than 90 days from the date of the denial of the petition for a rehearing, (May 17, 1917)" and to support its answer cites Liquid Carbonic Company *v.* Gilchrist Company, 253 Fed. 58; Herman *v.* Youngstown Manufacturing Company, 191 Fed. 587.

The Liquid Carbonic Company *v.* Gilchrist Company decision, by this court, is distinguishable in at least

two respects: (1) In that case the court of appeals definitely fixed the period within which the patentee was required to file a disclaimer. In the instant case the court of appeals in reversing the decree and ordering an injunction and an accounting, fixed no period within which a disclaimer was to be filed. There is an inference, at least, to be drawn from the direction of a decree in favor of the patentee, that up to this time, at least, there had been no such delay as would bar the granting of the usual relief.

(2) In the present suit the patentee resisted the contention that two of its claims were invalid because of prior public use. It did not, during the life of the patent, acquiesce in the judicially declared invalidity of these two items. In the Liquid Carbonic case there was no serious contention made that the first of two claims was valid. It was practically conceded that claim No. 1 was too broad and therefore invalid. Upon this situation, the court was amply justified in definitely fixing a short period of time within which the patentee was required to file its disclaimer. But in the instant suit the absence of acquiescence prevented the fixing of a period of time other than as that time was connected with the expiration of patentee's right to apply to the Supreme Court for a writ of certiorari so that this court's ruling might be reviewed.

We think that in no case could a court be justified in finding that a patentee unreasonably delayed the filing of a disclaimer until after the expiration of the statutory period within which he might further litigate the question of the validity of the contested claims. In the present suit appellant might have applied to the Supreme Court for a writ of certiorari to review that part of the decree which held his first two claims invalid within 90 days from May 17, 1917, when the

petition for rehearing in this court was denied. However, its right to seek such review was not lost by its failure to apply to the Supreme Court in the Summer of 1917. Appellant could, under the interlocutory decree, proceed with its hearing before the master and after final decree was entered, appeal to this court and later, apply to the Supreme Court, at which time it could attack that part of the decree which held its claims 1 and 2 invalid. Until then, the holder of a patent can not be said to have unreasonably neglected or delayed to enter a disclaimer.

ACCOUNTANT'S FEE IS CHARGED TO APPELLANT.

Damages and lost profits. Little need be said under this heading. The accounting disclosed appellee's profit to be $42,791.53 on all furnace pipes and fittings and a profit of $1,150.10 on the adjustable joints covered by the patent.

The master found that there was no confusion of profits on the wall pipes and other fittings and the profits on the adjustable joints. He also found that plaintiff had failed to show any damage because of its alleged reduction of prices occasioned by appellee's infringement of claims 3, 4, and 5. We are satisfied that the evidence supports these two findings and that the amount of appellant's recovery should be limited to $1,150.10 which sum represents the profits of appellee due to the infringement of the patented article.

Expert Accountant's Charges.—During the course of the accounting, appellant complained repeatedly of appellee's statements of profits. On several occasions applications were made to the court for an order compelling it to file amended or corrected reports. Appellee attempted to comply with these orders but never to the satisfaction of appellant. Appellant ultimately

applied to the court for, and obtained, an order appointing a certified public accountant to examine appellee's books and to make and state the account. The court also ordered that appellee pay the charges of said accountant for the services rendered but ordered further "that the defendant shall have the right to hereafter apply for the re-taxing of such charges upon a proper showing."

The accountant charged $13,230.30 for his services. His statement showed that appellee's last account was correct in all respects. The court therefore ordered the accountant's fees which had previously been advanced by appellee to be included in the decree against appellant.

No Error Was Here Committed.—Appellant made charges respecting appellee's account which were unjustifiable and untrue. It caused the court to appoint an outside accountant to make a fair, just and impartial report. The report completely vindicated appellee. It demonstrated the falsity of appellant's charges. The order of appointment expressly provided that the charges of the accountants should be first paid by appellee but reserved the right to retax the costs if the circumstances warranted it. The appellant availed itself of the order and should be bound by the conditions attached to its enforcement.

Costs.—The court taxed certain costs against the appellant. Included in this item was some $1,693 master's fees and expenses and another item of $85.

Appellee relies upon the statute (U. S. C. A., Title 35, section 71) which denies to a patentee the right to recover costs when he fails to file the necessary disclaimer before suit was begun. In view of this section, the holder of a patent cannot recover his costs if a necessary disclaimer is not filed before suit is begun. But does it follow that infringer shall recover

costs simply because of this statute? We think not. In a court of equity in case no statute regulates the matter, costs are within the court's discretion. Here appellee was the wrong-doer—the infringer of appellant's patent. Because the patentee claimed more than it was entitled to, the statute withholds costs from it. But it would be an unfair exercise of discretion to allow to the defendant, the infringer, the wrong-doer, the recovery of its costs. When the decree was entered, the master's fees evidently had not been paid. Appellee in good conscience pay half of the master's fees and expenses.

While the authorities are not unanimous (Novelty Glass Mfg. Co. *v.* Brookfield, 172 Fed. 221) the weight of opinion is in favor of the allowance of costs to the prevailing party on appeal notwithstanding this statute. Walker on Patents (Sixth Edition) Vol. 1, page 340; Excelsior Steel Furnace Co. *v.* Williamson Heater Co., 269 Fed. 614, 619; Kahn *v.* Starrels, 136 Fed. 597.

It follows that the decree must be, and is hereby, reversed with direction that one be entered which will offset appellant's $1,150.10 damages and interest against the award of $13,230.30 and interest in favor of appellee for the charges and expenses of the accountant and that such decree also direct that one-half the master's fees and expenses be paid by appellee.

Appellant shall recover its costs in this court.